

**Duchesne County Mosquito Abatement**

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2005**

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To the Board of Trustees  
Duchesne County Mosquito Abatement District  
Roosevelt, UT 84066

We have reviewed the accompanying financial statements of the governmental activities, and each major fund of Duchesne County Mosquito Abatement District, as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements, and the statement of revenues, expenditures and changes in fund balance—budget and actual—general fund as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A review consists principally of inquiries of Entity personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2005 financial statements and the budgetary comparison for the general fund in order for them to be in conformity with generally accepted accounting principles.

The management's discussion and analysis on pages 4 through 8 are not a required part of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

*Caldwell, Coombs & Foley, LLP*

September 11, 2006

## **Management's Discussion and Analysis**

As management of the Duchesne County Mosquito Abatement (the District), we offer readers of the District's financial statements this narrative overview and analysis of financial activities of the District for the fiscal year ended December 31, 2005.

### **Financial Highlights**

- Assets exceeded liabilities at closest year-end:  $\$739,521 - \$5,419 = \$734,102$ . Of this amount,  $\$530,390$  is unrestricted and available to meet the District's ongoing obligations.
- Net assets decreased  $\$134,191$ .
- Fund balances decreased  $\$236,035$  largely due to the construction of a new building.
- The District had no long-term debt at the closest year-end.
- The District's total assets of  $\$739,521$  were 69.7% cash and receivables.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements**—The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets present information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include mosquito abatement and general administration. The District has no business-type activities.

Governmental-wide financial statements can be found later in this report, see the Table of Contents for page numbers.

**Fund financial statements**—A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds**—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of the revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund, both of which are considered to be major funds.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found later in this report, see the Table of Contents for page numbers.

**Notes to the financial statements**—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found later in this report, see the Table of Contents for page numbers.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$734,102 at the close of the most recent fiscal year.

The largest portion of the District's net assets was unrestricted net assets at 72.3%. Unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors. Capital assets (e.g., machinery, equipment, etc.) comprised 27.5% of total net assets, less any related debt used to acquire those assets that is still outstanding.

<u>Net Assets</u>	<u>2005</u>	<u>2004</u>
Current assets	\$ 535,809	\$ 765,862
Net capital assets	<u>203,712</u>	<u>99,290</u>
Total assets	739,521	865,152
Current liabilities	5,420	1,289
Long-term liabilities	<u>-</u>	<u>-</u>
Total liabilities	5,420	1,289
Net assets:		
Invested in capital assets, net of related debt	203,712	99,290
Restricted	-	-
Unrestricted	<u>530,390</u>	<u>764,573</u>
Total net assets	<u>\$ 734,102</u>	<u>\$ 863,863</u>

The District's net assets decreased by \$134,191 during the current fiscal year.

**Government activities**—Governmental activities decreased the District's net assets by \$134,191, thereby accounting for 100% of the decline in total net assets. Key elements of this increase are as follows.

<u>Change in Net Assets</u>	<u>2005</u>	<u>2004</u>
Revenues:		
Property taxes	\$ 243,960	\$ 249,736
Gain on sale of assets	2,656	3,407
Interest	<u>15,821</u>	<u>10,387</u>
Total revenues	262,437	263,530
Expenses:		
Wages & benefits	132,209	116,738
Operations	230,352	116,598
Depreciation	<u>34,067</u>	<u>26,546</u>
Total expenses	396,628	259,882
Increase (decrease) in net assets	<u>\$ (134,191)</u>	<u>\$ 3,648</u>

Amount of spending increased significantly due to increases in operational expenses, specifically chemical expenses. Operational expenses will vary from year to year based on need for mosquito abatement.

## **Financial Analysis of the Government's Funds**

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds**—The focus of the District's governmental funds is to provide information on near-term flows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$509,736, a decrease of \$236,035 in comparison with the prior year. This entire total amount is unreserved fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the general fund was \$216,553 while total general fund balance was the same balance. As a measure of the general fund's liquidity, it may be useful to compare both unreserved general fund balance and total fund balance to total fund expenditures—in this case, they are the same amount. Unreserved fund balance represents 71.9% of total general fund expenditures. The capital projects funds are kept for long term capital projects.

The fund balance of the District's general fund decreased by \$17,339 during the current fiscal year.

The capital project fund has a total fund balance of \$293,183. The capital projects' fund balance decreased by \$218,696 this year.

## **Fund Budgetary Highlights**

The District's operating expenditures exceeded its budgeted amount. Please refer to the budget vs actual financial statements for detail regarding the budget.

## **Capital Asset and Debt Administration**

**Capital assets**—The District purchased \$141,400 for equipment and buildings and retired \$7,343 in book value of equipment for the most recent year ending December 31, 2005. Year 2005 depreciation expense was \$34,067. The net book value of investments in capital assets increased \$99,990.

<u>Net Capital Assets</u>	<u>2005</u>	<u>2004</u>
Land	\$ 6,024	\$ 6,024
Buildings and improvements	115,440	19,670
Equipment, furniture & fixtures	82,248	78,028
Total (net of depreciation)	<u>\$ 203,712</u>	<u>\$ 103,722</u>

**Long-term debt**—At the end of current fiscal year, the District did not have any long-term debt. The District does not maintain a debt rating. State statutes limit the amount of general obligation to 0% of the District's taxable fair market value and do not limit the amount on revenue bond debt the District may issue. In either case, an election must be held although there are some exceptions to revenue bond issuance.

#### **Economic Factors and Next Year's Budgets and Rates**

The District has budgeted total revenues for \$278,048 and total expenses for \$278,048. Budgeted revenues are about 104% of 2005's actual revenues. Budget expenses are about 55% of 2005's actual expenses. There are some significant differences between the fiscal year 2006 budget and the 2005 actual:

- \$32,000 contribution expense to fund balance.
- 49% decrease in budgeted operating expenses.

#### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Duchesne County Mosquito Abatement District, Attn: Mr. Kay Weight, PO Box 1951, Roosevelt, Utah 84066



**Duchesne County Mosquito Abatement District**  
**STATEMENT OF NET ASSETS**  
*December 31, 2005*

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets	
Cash	\$ 161,702
Savings	293,256
Property tax receivable	60,818
Inventory	<u>20,033</u>
Total Current Assets	<u>535,809</u>
Non-Current Assets	
Capital Assets	
Land	6,024
Buildings and improvements, net of accumulated depreciation	115,440
Equipment and furniture, net of accumulated depreciation	<u>82,248</u>
Total Non-Current assets	<u>203,712</u>
Total Assets	<u>\$ 739,521</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	\$ 3,822
Accrued expenses	1,598
Current portion of long-term debt	<u>-</u>
Total Current Liabilities	5,420
Non-Current Liabilities	
Long-term debt	
Total Non-Current Liabilities	<u>-</u>
Total Liabilities	5,420
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	203,712
Restricted	-
Unrestricted	<u>530,390</u>
Total Net Assets	<u>734,102</u>
Total Liabilities & Net Asset Balances	<u>\$ 739,521</u>

**Duchesne County Mosquito Abatement District**  
**STATEMENT OF ACTIVITIES**  
*For the year ending December 31, 2005*

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total	
<b>Governmental Activities:</b>					
Mosquito Abatement	\$ 396,628	\$ -	\$ -	\$ (396,628)	
Total	\$ 396,628	\$ -	\$ -	\$ (396,628)	
<b>General Revenues:</b>					
Property taxes (payments in-lieu of taxes)				243,960	
Gain on sale of assets				2,656	
Earnings on investments				15,821	
Total General Revenues				262,437	
Change in Net Assets				(134,191)	
Beginning Net Assets				868,292	
Ending Net Assets				\$ 734,102	

See accompanying notes and accountants' report. Page 10

**Duchesne County Mosquito Abatement District**  
**RECONCILIATIONS BETWEEN GOVERNMENT-WIDE AND FUND FORMATS**  
*For the year ending December 31, 2005*

**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets**

Total Fund Balance for Governmental Funds	\$ 509,736
Land, buildings, and equipment	203,712
Deferred property tax revenue includes delinquent property taxes in the government-wide statements but not in the fund statements.	<u>20,654</u>
Total Net Assets of Governmental Activities	<u>\$ 734,102</u>

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities**

Net Change in Fund Balance--Total Governmental Funds	\$ (236,035)
Change in delinquent taxes	1,856
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.	
Capital outlays	141,400
Retirement of assets, book value	(7,344)
Depreciation	<u>(34,067)</u>
Net	<u>99,989</u>
Change in Net Assets of Governmental Activities	<u>\$ (134,191)</u>

**Duchesne County Mosquito Abatement District**  
**BALANCE SHEET--GOVERNMENTAL FUNDS**  
*December 31, 2005*

	<u>Major Funds</u>		<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Governmental</u>
			<u>Funds</u>
<b>ASSETS</b>			
Cash	\$ 161,702	\$ -	\$ 161,702
Savings	73	293,183	293,256
Property tax receivable	40,162	-	40,162
Inventory	20,033	-	20,033
Total Assets	<u>\$ 221,971</u>	<u>\$ 293,183</u>	<u>\$ 515,154</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 3,822	\$ -	\$ 3,822
Accrued expenses	1,597	-	1,597
Deferred revenue, property taxes	-	-	-
Total Liabilities	5,419	-	5,419
<b>FUND BALANCES</b>			
Unreserved:			
General fund	216,553	-	216,553
Capital projects fund	-	293,183	293,183
Total Fund Balance	<u>216,553</u>	<u>293,183</u>	<u>509,736</u>
Total Liabilities & Fund Balances	<u>\$ 221,971</u>	<u>\$ 293,183</u>	<u>\$ 515,154</u>

**Duchesne County Mosquito Abatement District**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS**  
*For the year ending December 31, 2005*

	Major Funds		Total Governmental Funds
	General Fund	Capital Projects	
<b>REVENUES</b>			
Property tax	\$ 242,104	\$ -	\$ 242,104
Miscellaneous	-	-	-
Interest income	15,821	-	15,821
Total Revenues	257,925	-	257,925
<b>EXPENDITURES</b>			
Wages & benefits	113,071	-	113,071
Operating supplies	49,291	-	49,291
Vehicle maintenance	4,847	-	4,847
Building maintenance	21,991	-	21,991
Chemicals	104,843	-	104,843
Utilities	6,216	-	6,216
Insurance	19,137	-	19,137
Office supplies	2,980	-	2,980
Telephone	5,059	-	5,059
Dues	1,740	-	1,740
Professional fees	5,955	-	5,955
Travel	734	-	734
Public relations	509	-	509
Fuel and Gas	20,745	-	20,745
Miscellaneous	5,442	-	5,442
Capital outlay	141,400	-	141,400
Total expenditures	503,960	-	503,960
Excess of revenue over (under) expenditures	(246,035)	-	(246,035)
<b>OTHER FINANCING SOURCES &amp; USES</b>			
Sale of assets	10,000	-	10,000
Operating transfers	218,696	(218,696)	-
Total Other Sources & Uses	228,696	(218,696)	10,000
Excess revenues & other financing sources over (under) expenditures & other financing uses	(17,339)	(218,696)	(236,035)
Beginning fund balance	233,892	511,879	745,771
Ending fund balance	\$ 216,553	\$ 293,183	\$ 509,736

**Duchesne County Mosquito Abatement District**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE--BUDGET AND ACTUAL--GENERAL FUND**  
*For the year ending December 31, 2005*

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Property tax	\$ 218,600	\$ 218,600	\$ 242,104	\$ 23,504
Miscellaneous	-	-	-	-
Interest income	-	-	15,821	15,821
Total Revenues	218,600	218,600	257,925	39,325
<b>EXPENDITURES</b>				
Wages & benefits	116,900	116,900	113,071	3,829
Operating supplies	50,000	50,000	49,291	709
Vehicle maintenance	-	-	4,847	(4,847)
Building maintenance	-	-	21,991	(21,991)
Underground testing	-	-	-	-
Chemicals	51,700	51,700	104,843	(53,143)
Utilities	-	-	6,216	(6,216)
Insurance	-	-	19,137	(19,137)
Office supplies	-	-	2,980	(2,980)
Telephone	-	-	5,059	(5,059)
Dues	-	-	1,740	(1,740)
Professional fees	-	-	5,955	(5,955)
Travel	-	-	734	(734)
Public relations	-	-	509	(509)
Fuel and Gas	-	-	20,745	(20,745)
Airplane	-	-	-	-
Miscellaneous	-	-	5,442	(5,442)
Capital outlay	-	-	141,400	(141,400)
Total expenditures	218,600	218,600	503,960	(285,360)
<b>OTHER FINANCING SOURCES &amp; USES</b>				
Sale of assets	-	-	10,000	10,000
Operating transfers	-	-	218,696	218,696
Total Other Sources & Uses	-	-	228,696	228,696
Excess revenues & other financing sources over (under) expenditures & other financing uses	-	-	(17,339)	553,381
Beginning fund balance	233,892	233,892	233,892	-
Ending fund balance	\$ 233,892	\$ 233,892	\$ 216,553	\$ (17,339)

**Duchesne County Mosquito Abatement**  
**NOTES TO FINANCIAL STATEMENTS**  
*December 31, 2005*

**NOTE 1      Summary of Significant Accounting Policies**

**Reporting Entity**—The Duchesne County Mosquito Abatement was created by Duchesne County. At year-end, the District's phone number was (435) 722-3802. The purpose of the District is to receive property taxes for the purpose of mosquito control within Duchesne County.

The accounting policies of the Duchesne County Mosquito Abatement conform to generally accepted accounting principles as applicable to governmental units. For financial reporting purposes, the District has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete.

The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and the (1) ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District. The District has no component units and is not a component unit of an entity.

**Government-Wide and Fund Financial Statements**—The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent of fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Duchesne County Mosquito Abatement**  
**NOTES TO FINANCIAL STATEMENTS**  
*December 31, 2005*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* is the government's fund to account for capital projects and overhead that can be submitted to grantors for reimbursement.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Deposits and Investments**—The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**Receivables and Payables**—All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectible accounts. Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either "due to/from other funds" (i.e., current portion of interfund loans) or "advances from/to other funds" (i.e., the noncurrent portion of interfund loans). Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**Property Taxes**—The property tax revenue of the District is collected and distributed by Duchesne County. Utah statutes establish the process by which taxes are levied and collected. The County Assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the County Auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The County Auditor makes approved changes in assessed value by November 1 and on this same date the County Auditor is to deliver the completed assessment rolls



**Duchesne County Mosquito Abatement**  
**NOTES TO FINANCIAL STATEMENTS**  
*December 31, 2005*

to the County Treasurer. Tax notices are mailed with a due date of November 30. The tax assessments are considered past due January 15 after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Utah State legislation requires motor vehicles be subject to an age based fee that is due each time a vehicle is registered. The age based fee is for passenger type vehicles and ranges from \$10 to \$150 based on the age of the vehicle. The revenues collected in each County from motor vehicle fees is distributed by the County to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes motor vehicle fees as property tax revenue when collected by the County.

As of December 31, 2005, property taxes receivable by the District includes uncollected taxes assessed as of the January 1, 2005 or earlier. The County expects that all taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the County Treasurer may force sale of property to collect the delinquent portion. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

**Inventories and Prepaid Items**—All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets**—At times, the District may have funds set aside that are legally restricted or their use is limited by certain covenants. When eligible, restricted assets are expended first.

**Capital Assets**—Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual significant cost and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Equipment	7
Vehicles	5
Office equipment	5
Computer equipment	3

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**Compensated Absences**—The government's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Long-term Obligations**—In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The District has no long-term debt activity.

**Fund Equity**—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates**—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Budgetary Data**—Budgets are presented on the modified accrual basis of accounting for all governmental funds of the District. The following procedures are used in establishing the budgetary data:

- During November or December of each year, the manager prepares the budget for general and capital improvement funds. The manager submits this budget to the Board of Directors.
- Copies of the budget are made available for public inspection for seven days prior to adoption.
- The Board holds a public hearing on or before December 22 of each year to receive public comment on the budget. Notice of such meeting to be published in newspaper or posted 2 weeks prior to hearing.
- Budget shall be in effect subject to later amendment and shall be available for public inspection.
- Board may, by resolution, transfer unexpended appropriation from one department to another department within the same fund or they may reduce the budget in any department or fund. Specific restrictions apply.
- Board may increase the total budget in a fund after meeting notification and public hearing. The District did not increase its budget near year-end.

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**NOTE 2      Cash Deposits and Investments**

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

**Summary of Deposits and Investments**

Reconciliation to the Balance Sheet			
Balance Sheet		Deposits & Investments	
Cash	\$ 161,702	Checking & savings	\$ 161,774
Savings	293,256	Utah Public Treasurer's Pool	293,184
Total	<u>\$ 454,958</u>	Total	<u>\$ 454,958</u>

**Deposits**

***Custodial Credit Risk***—Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. As of December 31, 2005, \$61,702 of the District's bank balances of \$163,246 (carrying balance of \$161,774) was uninsured and uncollateralized.

**Investments**

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United State Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

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The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses (net of administration fees), of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of December 31, 2005, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	293,184	293,184	-	-	-

**Interest Rate Risk**—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years. For funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, Rule 2 of the Money Management Council does not allow the dollar-weighted average maturity of fixed income securities to exceed ten years.

**Credit Risk**—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

At December 31, 2005, the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Rating			
		AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Fund	293,184	-	-	-	293,184

**Concentration of Credit Risk**—Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

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**NOTE 3      Capital Asset Activity**

Fixed Asset Activity	2004	Increase	Decrease	2005
Land	\$ 6,024	\$ -	\$ -	\$ 6,024
Buildings	92,791	98,500	-	191,291
Improvements	24,723	-	-	24,723
Transportation Equipment	172,444	22,342	-	194,786
Machinery & Equipment	73,804	20,559	(12,337)	82,026
Furniture & Fixtures	6,311	-	-	6,311
Sub-total	376,097	141,401	(12,337)	505,161
Accumulated depreciation	(272,375)	(34,068)	4,994	(301,449)
Fixed assets net of depreciation	<u>\$ 103,722</u>	<u>\$ 107,333</u>	<u>\$ (7,343)</u>	<u>\$ 203,712</u>

All depreciation is allocated to the mosquito abatement program of the general fund.

**NOTE 4      Long-term Debt**

The District did not have any long-term debt activity during the year and does not have any long-term debt at year-end.

**NOTE 5      Interfund Transfers**

Transfers between the general fund and the capital projects fund are intended to fund capital projects in upcoming years. These projects are occasionally infrequent, so the capital projects fund has been set up to accumulate funds to complete these projects.

**NOTE 6      Exposures to Risks of Loss**

The District minimizes its exposure to risks of loss through the purchase of commercial insurance. The District potential risks are property damage and other litigation for possible misuse of mosquito abatement materials. The District considers uninsured exposure to risks of loss as immaterial.

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**NOTE 7      Employer Contributing to a Cost-Sharing Multiple-Employer  
Defined Benefit Pension Plan**

**Plan Description.** The District contributes to the Local Governmental Contributory Retirement System cost-sharing multiple-employer defined pension plans administered by the Utah Retirement Systems. Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System and Public Safety Retirement System for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**Funding Policy.** For January to December 2005, plan members in the Local Governmental Contributory Retirement System were required to contribute 6.00% of their annual coverage salary (6.00% is paid by the District for the employee). ). For January to June 2005, the District was required to contribute 7.080% of their annual coverage salary. For June to December 2005, the District was required to contribute 7.080% of their annual coverage salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

**Contributions.** The District's contributions to the Local Governmental Contributory Retirement System for the years ending December 31, 2005, 2004, and 2003 were \$5,441, \$4,938, and \$4,351, respectively. The contributions were equal to the required contributions for each year.

**NOTE 8      Beginning Net Assets Correction**

Beginning net assets has been increased \$4,430 to correct an error in accumulated depreciation. This correction does not affect the year-ended December 31, 2005 income or expenses.